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Thailand

Grain and Feed

Annual

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Report Highlights:

Thailand is likely to produce 25.0 million tons of rice and 4.6 million tons of corn in MY 2001/02. Rice exports may further decline to 6.3 million tons in 2001. In line with increased consumption, total wheat/flour imports should grow by 3-4 percent in MY 2001/02.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Bangkok [TH1], TH

Executive Summary	Page 1 of 23
RICE	Page 4 of 23
Production/Crop Assessment	Page 4 of 23
Consumption	Page 5 of 23
Trade/Competition	Page 5 of 23
Policy	Page 8 of 23
CORN	Page 11 of 23
Production	Page 11 of 23
Consumption	Page 11 of 23
Trade	Page 13 of 23
Policy	Page 14 of 23
Marketing	Page 15 of 23
WHEAT	Page 17 of 23
Production	Page 17 of 23
Consumption	Page 17 of 23
Trade	Page 17 of 23
Marketing	Page 20 of 23
BEANS	Page 21 of 23
Production	Page 21 of 23
Consumption	Page 22 of 23
Trade	Page 22 of 23

Executive Summary

Thailand's 2001/02 rice production is forecast at 25.0 mmt in anticipation of normal weather conditions, timely arrival of seasonal rains, along with good distribution of rainfall throughout the season. The 2000/01 rice production is estimated at 25.5 mmt due to very minor incidences of pest and disease problems and excellent weather conditions. Harvested area is estimated to be up slightly from the previous year. Thai rice exports dropped slightly from the record of 6.68 in 1999 to 6.54 mmt in 2000 and are forecast to decline to 6.3 mmt in 2001 in response to weakened demand. Export prices for all grades will tend to decrease along with weakened demand in 2001.

Corn production for MY 2001/02 should further increase to about 4.6 million tons, as opposed to the estimate of 4.4 million tons in MY 2000/01. The increase is based on the anticipation of improved seed quality and increased use of fertilizer. Total domestic consumption is forecast to grow to 4.65 million tons, a level which is close to the production number. As a result, corn imports may be limited to only 100,000 tons in MY 2001/02. The market for U.S. corn exports in Thailand remains restricted due to relatively high import duties and poorly scheduled TRQ allocations.

In line with increased consumption, total wheat/flour imports are estimated to grow by 3-4 percent in MY 2000/01 and MY 2001/02. The U.S. market share in total wheat/flour imports should be around 40-41 percent, a level which is close to the MY 1999/2000's level, due to its superiority and competitiveness against the competing countries. The implementation of the AFTA agreement which led to a reduction in import duties on wheat flour/flour products has begun to pose a threat to local flour mills. Although a group of local flour mills expressed their concern to the Government, it has recently refused to address their petition to reduce import duties on wheat grains.

PSD Table						
Country Thailand						
Commodity	Rice, Milled		(1000 HA)(1000 MT)			
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	9833	9900	9840	10080	0	10048
Beginning Stocks	1051	1162	652	1176	2002	1627
Milled Production	15180	15589	15850	16500	0	16830
Rough Production	23000	23620	24015	25000	ERR	25500
MILLING RATE (.9999)	6600	6600	6600	6600	0	6600
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	16231	16751	16502	17676	2002	18457
TOTAL Exports	6679	6675	5500	6549	0	6300
Jan-Dec Exports	6679	6675	5500	6549	0	6300
TOTAL Dom. Consumption	8900	8900	9000	9500	0	9990
Ending Stocks	652	1176	2002	1627	2002	2167
TOTAL DISTRIBUTION	16231	16751	16502	17676	2002	18457

PSD Table						
Country Thailand						
Commodity	Rice, Milled		(1000 HA)(1000 MT)			
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	9833	10080	9840	10100	0	10050
Beginning Stocks	1051	1176	652	1627	2002	2167
Milled Production	15180	16500	15850	16830	0	16500
Rough Production	23000	25000	24015	25500	ERR	25000
MILLING RATE (.9999)	6600	6600	6600	6600	0	6600
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	16231	17676	16502	18457	2002	18667
TOTAL Exports	6679	6549	5500	6300	0	6500
Jan-Dec Exports	6679	6549	5500	6300	0	6500
TOTAL Dom. Consumption	8900	9500	9000	9990	0	10000
Ending Stocks	652	1627	2002	2167	2002	2167
TOTAL DISTRIBUTION	16231	17676	16502	18457	2002	18667

RICE

Production/Crop Assessment

Based on normal weather conditions, Thailand's 2001/02 rice production is forecast at 25.0 mmt. The 2000/01 rice production is estimated at 25.5 mmt –20.0 mmt main season crop and a 5.5 mmt second crop. The main crop output in the Northeast is expected to be better than last year's as the monsoon started more than one month early and was well-distributed, without pause during the season. While the monsoon did result in heavy flooding in some lowland areas of the Northeast, these losses were more than offset by expanded sowing in the higher lands and an increase in average field yields. Paddy production in the North and Central was reported to be as good as last year. As a result, most added output is fragrant and glutinous rice, the varieties which dominate the plantings in the region. We are expecting a good second crop rice in connection with good water supply in the major dams. The general quality of the 2000/01 main crop, especially premium grade fragrant and glutinous rice, is above average in milling yield - in contrast to the last two harvests. This will result in a dramatic increase in fragrant head rice output, which puts extreme pressure on prices. Supplies of fragrant broken, in contrast, will be tighter, possibly discouraging a repeat of this year's expanded offtake into brewing, feed, and cross border sales to Cambodia. "Higher yielding" modern varieties are primarily grown during the dry season, but are also increasingly being planted as part of the main season crop.

The 2001/02 main crop harvested area is expected to be slightly lower than in 2000/01 as there was no rain early this year and some areas in the Northeast have reportedly faced some drought. Harvested area in 2000/01 is estimated to be slightly higher at 10.1 million hectares as a result of some areas of upland rice which received adequate moisture for planting. As a result, yield is also expected to increase slightly. Post revised yields in the following table to be in line with the Office of Agricultural Economics' data.

Yield (Metric Ton/Ha.)

Yield	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
					R/	R/	R/	R/	R/	E/	F/
Main	1.82	2.01	2.03	2.07	2.10	2.10	2.00	2.00	2.16	2.20	2.10
Second	3.93	4.11	4.04	4.07	4.20	4.25	4.18	4.18	4.10	4.25	4.25
Total	1.96	2.25	2.17	2.17	2.30	2.38	2.37	2.37	2.37	2.40	2.38

Source: Office of Agricultural Economics, Ministry of Agricultural & Cooperatives

R/ Revised.

E/ Estimated.

F/ Forecast.

CONSUMPTION

Consumption

Rice remains Thailand's staple food with per capita rice consumption estimated at about 110 kilograms. Although wheat products are becoming more popular, there is very limited direct substitution for rice in traditional eating habits. Some indirect substitution occurs in large urban centers as a result of increased consumption of western foods.

Trade/Competition

Thailand's 2001 rice exports are forecast at 6.3 mmt, down 4 percent from 6.55 mmt last year. The major drop mainly comes from Indonesia. The world demand has been weak during the first quarter of 2001 unlike the situation during the last quarter of 2000 when strong demand came from N. Korea, Senegal and Nigeria. Increases in production from producers such as Vietnam and Burma along with cheaper prices of rice from Vietnam, have put Thailand in the difficult position of competing with them. Weak demand from major buyers such as Indonesia and the higher tariffs in Nigeria have increased the likelihood of buying less rice from Thailand.

Fragrant rice exports picked up slightly in two consecutive years after declining 11-15 percent in the past two years. Stronger demand from China and Malaysia are the main reasons. Lower prices for fragrant rice also attracted the Philippines to import more than the previous years. North Korea replaced Indonesia as a big buyer of WR 5% while Senegal and Nigeria purchased more Thai parboiled rice in 2000. However, exports of low quality rice dropped dramatically and pulled total exports down 2 percent.

The yearly average farm gate price continued to drop 14 percent in 2000 after moving upward during 1995-1998 in response to strong competition from other major producers, such as Vietnam and Pakistan. The average price of paddy 5% declined 21 percent, while local milled white rice 5% decreased 15 percent in 2000. Moreover, prices of rice are likely to weaken in 2001 as foreign demand has been very weak and prices have been very low in most major exporting countries including Thailand.

Farm-gate Price (Bht/ton)	1995	1996	1997	1998	1999	2000
Paddy 5%	4,053	5,189	5,472	6,629	5,579	4,808

Source: Office of Agricultural Economics, Ministry of Agriculture & Cooperatives.

Current prices tend to fluctuate along with international demand. Export prices of most grades in the first quarter of 2001 dropped about 35 percent from the same period last year in the absence of major rice sales. As a result, the average farm-gate paddy price declined significantly from 4,800 baht in mid March 2000 to 4,300 baht per ton during the same period of 2001. Since market demand has been weak, most exporters delay payments to millers. As a consequence, liquidity problems cause the

industry to slow down their milling and keep less paddy in their stocks. However, the government continues to provide packing credit to the exporters as usual.

Prices Table			
Country Thailand			
Commodity Rice, Milled			
Prices in Baht/Kg (Wholesale Price in Bangkok of WR 100 B)			
Year	1999	2000	% Change
Jan	10.58	8.58	-18.90%
Feb	9.87	8.92	-9.63%
Mar	9.02	8.21	-8.98%
Apr	8.28	7.70	-7.00%
May	8.54	7.51	-12.06%
Jun	8.98	7.42	-17.37%
Jul	9.00	7.16	-20.44%
Aug	8.86	7.18	-18.96%
Sep	8.76	7.09	-19.06%
Oct	8.19	7.66	-6.47%
Nov	8.51	7.69	-9.64%
Dec	8.46	7.58	-10.40%
Exchange Rate	43.30	Local currency/US \$	

SOURCE: Department of Internal Trade, Ministry of Commerce.

Export Trade Matrix			
Country Thailand			
Commodity Rice, Milled			
Time period	Jan-Dec	Units:	Metric Ton
Exports for:	1999		2000
U.S.	244,274	U.S.	244,417
Others		Others	
Indonesia	1,119,941	Nigeria	874,152
Nigeria	683,880	Senegal	625,767
Iran	649,311	Iran	611,200
Senegal	368,713	South Africa	428,916
South Africa	321,103	Malaysia	330,491
Malaysia	318,694	Korea, DPR	295,218
Singapore	284,012	Iraq	288,225
Iraq	214,983	China	274,819
Togo	214,221	Singapore	263,416
Dubai	209,735	Indonesia	250,359
Total for Others	4,384,593		4,242,563
Others not Listed	2,046,511		2,062,317
Grand Total	6,675,378		6,549,297

Import Trade Matrix			
Country Thailand			
Commodity Rice, Milled			
Time period	Jan-Dec	Units:	Metric ton
Imports for:	1999		2000
U.S.	1477	U.S.	407
Others		Others	
Total for Others	0		0
Others not Listed	0		117
Grand Total	1477		524

Policy

Production/Trade Policy

The Thai government recently returns to take an active position in offering to sell 150,000 ton of WR 25 % under G-to-G arrangements to the Philippines after shying away from government-negotiated contracts over the past few years. The 2001 rice policy remains similar to that of previous years, both in terms of overall budget and measures being employed (see TH0124, dated Dec 8'00). The principle of the policy aims at the following measures to help stabilize paddy prices for the 2000/01 rice crop and provide market support at harvest time or to assume market risk.

- Rice Exports under G-to-G Arrangements;
- Paddy Mortgage Scheme;
- Milled Rice Purchases;
- Paddy Purchases; and
- Packing Credit for Exporters.

The paddy mortgage scheme continues to operate under the Bank for Agriculture and Agricultural Cooperatives (BAAC). Participating farmers obtain a loan from BAAC by mortgaging their crop to the BAAC any time from November 1, 2000 through March 31, 2001. As of February 23, 2001, the paddy pledged is reported at 1,026,098 tons, valued at 5,132.35 million baht. The comparison amount of paddy pledged for the past seven years are as follows:

Year	Number of Farmers	Paddy Pledged (Metric Tons)	Value ('000 Bht)
1993	465,744	3,383,324	10,550,210
1994	199,956	1,202,718	3,664,220
1995	211,409	1,402,931	4,229,400
1996	181,999	1,181,259	3,938,743
1997	123,870	865,113	2,968,657
1998	111,107	786,363	2,938,730
1999	116,335	677,278	3,262,777
2000	113,062	697,756	3,286,433

Source: Bank for Agriculture & Agricultural Cooperatives (BAAC).

The Marketing Organization for Farmers (MOF) and the Public Warehouse Organization (PWO) have actively intervened in the market this year as paddy prices have dropped below target prices. These two organizations reportedly bought paddy about 500 baht per ton above the market

price and hired millers to process and deliver to their rented godowns with the intention to create artificial demand and sell rice under G-to-G arrangements. Since millers cannot compete in buying paddy, many of them end up doing business with the government in milling paddy and get payment in terms of broken and rice bran which is valued at about 500 baht per ton. By joining this business with the government, there is no cost risk.

Non Tariff Barriers

Thailand has long banned imports of rice to protect its farmers. However, the Uruguay Round Agriculture Agreement established market access to Thailand for rice imports in 1995. The Ministry of Commerce has announced the annual import quota of rice since 1995 as follows:

Year	Paddy	Cargo rice	Milled rice	Broken	Total
	----- Metric Tons ----- -----				
1995	95,145.00	95,145.00	23,786.50	23,786.50	237,863.00
1996	95,673.83	95,145.00	23,918.45	23,918.45	239,184.56
1997	NA	NA	NA	NA	240,506.11
1998	NA	NA	NA	NA	241,827.67
1999	NA	NA	NA	NA	243,149.22
2000	NA	NA	NA	NA	244,470.78
2001	NA	NA	NA	NA	245,792.00

Source: Department of Foreign Trade, Ministry of Commerce.

Customs' data showed 1999 actual imports doubled to 1,477 metric tons, valued at 30.70 million baht (\$811,429), compared with 724 metric tons, valued at 23.28 million baht (\$562,761) in 1998. The imports mainly were from the United States, with a small amount also came from Japan and China.

PSD Table						
Country	Thailand				(1000 HA) (1000 MT)	
Commodity	Corn					
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1190	1150	1170	1170	0	1170
Beginning Stocks	399	399	466	466	0	336
Production	3800	3900	4400	4400	0	4600
TOTAL Mkt. Yr. Imports	350	387	200	20	0	100
Oct-Sep Imports	300	400	200	20	0	100
Oct-Sep Imports U.S.	0	0	0	0	0	0
TOTAL SUPPLY	4549	4686	5066	4886	0	5036
TOTAL Mkt. Yr. Exports	70	20	100	100	0	50
Oct-Sep Exports	70	20	100	100	0	50
Feed Dom. Consumption	4150	4150	4350	4400	0	4600
TOTAL Dom. Consumption	4200	4200	4400	4450	0	4650
Ending Stocks	279	466	566	336	0	336
TOTAL DISTRIBUTION	4549	4549	5066	4886	0	5036

CORN

Production

Given normal weather conditions, Thailand's corn production for MY 2001/02 is forecast to further increase to about 4.6 million tons in anticipation of improved seed quality and increased use of fertilizer. Harvested area for corn is forecast to remain unchanged from the MY 2000/2001's level. This is based on the fact that a decline in farmgate corn prices in the last season, but still more lucrative than cassava roots, has become a pro-and-con for corn farmers's planting intentions. In general, corn is considered as the alternative crop with cassava roots and sugar cane.

The estimate of corn production for MY 2000/01 remains unchanged at 4.4 million tons. The production appeared to hit a record high level in the past 15 years. The increase is attributed to both larger harvested area and higher productivity. Due to attractive prices in relation to other competing crops (mainly cassava roots and sugar cane) in MY 1999/2000, some farmers have switched a portion of their land to corn. Weather conditions have apparently been nearly perfect for corn cultivation in MY 2000/2001, particularly with good rains from April to September. Although plentiful rainfall stunted vegetative and reproductive growth of corn in the low lands, the effect has been outstripped by excellent corn production in high or sloped lands (which accounts for about 90 percent of total growing area). The flooding in many provinces did not affect corn production because nearly all of the corn crop had already reached the maturity stage. In addition, an increasing number of corn farmers began to realize of the importance of utilizing enough fertilizer along with the use of high-yielding hybrid seed. As a result, the fertilizer utilization per unit of land increased from the previous season. It is believed that the increase in fertilizer use should continue for years to come, and this may be a key factor in boosting Thai corn production. In recent years, farmers have so actively replaced traditional seed with hybrid seed, that nearly all corn area is currently grown with hybrid seed. However, the level of fertilizer use by most farmers in that period was low due to a lack of money and knowledge of advanced farming practices.

The Office of Agricultural Economics estimates the 2000/01 variable cost at \$245.38 per hectare, which was down slightly from \$246.0/ton in the 1999/2000. Most of the variable cost went into labor (\$161.50/hectare), seed (\$32.57/hectare), and fertilizer (\$28.33/hectare). Variable cost accounted for 87 percent of total production expenses. Based on their estimate of yield per hectare (3.51 tons/hectare), the average cost of corn production in Thailand in MY 2000/01 would be \$80.42/ton.

Consumption

Total domestic consumption in MY 2001/02 is forecast to grow by four percent over MY 2000/01's level in line with anticipated growth in livestock production, especially that of the broiler industry, which consumes corn in a relatively high proportion. Corn currently accounts for about 55-65 percent of the ration for broiler and layer feed, as opposed to 20-25 percent for swine and dairy cattle feed, and 10 percent for duck feed. Total feed production in 2001 is about 9.5 million tons, as compared to 9.2 million tons in 2000.

Total consumption for corn in MY 2000/01 is estimated to grow by 6 percent over the MY 1999/2000, mainly because of sharply increased supply availabilities which led to lower corn prices for feed millers and a favorable growth in broiler production. Domestic corn prices in the first half of MY 2000/01 (Jun-Dec 2000) dropped from the average 4.74 baht/kg (\$110/ton) in the same period of MY 1999/2000 (Jun-Dec 1999) to 4.36 baht/kg (US\$ 101/ton). The current corn prices are about 4.20 baht/kg (\$98/ton). Despite ongoing low prices for broken rice, feedmills and livestock producers are unlikely to have changed their swine feed ration in favor of broken rice in recent months. Average prices for broken rice in Jun-Dec 2000 are in the range of 5.10-5.40 baht/kg (US\$ 119-125/ton).

No new feedmill establishments have been reported in recent years. While about 70 commercial feedmills are supplying 80 percent of domestic feed production, several livestock producers (mainly hog producers) are buying corn for their own mixing feed.

Prices Table

Prices Table			
Country	Thailand		
Commodity	Corn		
Prices in	Baht	per uom	Ton
Year	1999	2000	% Change
Jan	4310	5310	23.20%
Feb	4310	5300	22.97%
Mar	4470	5450	21.92%
Apr	4560	5530	21.27%
May	4940	5300	7.29%
Jun	5040	4510	-10.52%
Jul	4940	4280	-13.36%
Aug	4400	4020	-8.64%
Sep	4290	4120	-3.96%
Oct	4570	4570	0.00%
Nov	5030	4610	-8.35%
Dec	5210	4570	-12.28%
Exchange Rate	43	Local currency/US \$	

Source: Thai Feed Mill Association

Trade

Thailand's corn imports may be limited to about 100,000 tons in MY 2001/02 in anticipation of increased domestic supply availabilities.

In MY 2000/01, the estimate of corn imports has been revised downward to only 20,000 tons. Despite the benefits of the import tax refund for feed ingredients used in poultry meat production for export, a sharp increase in domestic supplies as well as a relatively devalued Thai currency against the US dollar, caused domestic corn to be competitive with imported corn. Trade sources report that, based on the current CIF prices of USD 104-105/ton, total costs of imported corn (in the case that the import duties can be refunded) are about 4.70-4.80 baht/kg, as opposed to the current price of 4.20 baht/kg for domestic corn. Accordingly, only 3,284 tons of corn was reportedly imported in the first half of MY 2000/01 (Jul-Dec, 2000).

The estimate of exports for MY 2000/01 at 100,000 tons remain unchanged. Thailand's exports for MY 2001/02 should be around 40-60,000 tons.

Import Trade Matrix			
Country	Thailand		
Commodity	Corn		
Time period	Jan-Dec	Units:	Tons
Imports for:	1999		2000
U.S.	4098	U.S.	3413
Others		Others	
Argentina	12685	Argentina	26250
China	100981	China	305979
Laos	1607	Laos	870
Total for Others	115273		333099
Others not Listed	1304		2208
Grand Total	120675		338720

Export Trade Matrix			
Country	Thailand		
Commodity	Corn		
Time period	Jan-Dec	Units:	Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Malaysia	39945	Malaysia	12214
Laos	1305	Laos	364
Taiwan	14898	Taiwan	6000
Hong Kong	7940	Hong Kong	110
Sri Lanka	3000	Singapore	1200
Total for Others	67088		19888
Others not Listed	1293		56
Grand Total	68381		19944

Policy

The Thai Government has continued its project to promote the use of high-yielding hybrid seed in an effort to improve productivity. In MY 2000/01, the Ministry of Agriculture allocated a budget of 21.8 million baht (USD 0.50 million) to purchase hybrid seed (about 290 tons) and grant it to small farmers. It was stipulated that seed provision was eligible only for farmers who already stocked their own hybrid seed in the same amount as that of rendered seed.

As in the previous year, the Thai Government's measures utilized to stabilize domestic corn prices in MY 2000/01 include: (1) continuation of a mortgage scheme for corn, and (2) manipulation of a minimum tariff rate quota.

Under the mortgage scheme, the GOT stipulates that the target price for corn at the farm gate (moisture level not exceeding 14.5 percent) is to be 4.10 baht/kg (US\$ 98/ton). In addition, farmers who want to participate in the program will mortgage their corn with specified government enterprises and receive a loan of 3.90 baht/kg at the farm, or 4.10 baht/kg at specified silos. The period of the loan will not exceed 4 months, and farmers will be charged 3 percent per annum interest on this loan.

Farmers are allowed to abandon their mortgaged corn with no interest charge if market prices fall below the mortgage price. On the other hand, farmers may redeem their mortgaged corn prior to the loan due date and sell it at market prices, when prices are above the mortgage rate. As market farmgate prices were below the loan rate from time to time, the actual amount of mortgaged corn have already reached the target amount of 500,000 tons.

As for the TRQ allocation in 2001, the Government has only allowed corn imports under the tariff-rate-quota in an amount and at a tariff rate which satisfies Thailand's commitment with the WTO. It was stipulated that: (1) the import quota of 53,832 tons, eligible for both WTO and non-WTO countries, is subject to a 20 percent tariff rate and for the shipment period of March 1-June 30, 2001; (2) the non-quota imports from WTO countries will be subject to a 75.4 percent tariff rate plus a surcharge of 180 baht/ton, while those from non-WTO countries is subject 2.75 baht/kg and a special charge of 13.97 percent (sum of both duties is close to 75.4 percent) plus a surcharge of 180 baht/ton.

Marketing

The market for U.S. corn exports in Thailand is fairly limited. Relatively high import duties and poorly scheduled TRQ allocations, have virtually eliminated the U.S. as a competitor.

PSD Table						
Country	Thailand				(1000 HA) (1000 MT)	
Commodity	Wheat					
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	0	0	0	0	0	0
Beginning Stocks	154	154	214	185	0	225
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	800	751	800	780	0	800
Jul-Jun Imports	800	751	800	780	0	800
Jul-Jun Imports U.S.	340	291	340	310	0	320
TOTAL SUPPLY	954	905	1014	965	0	1025
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	260	270	270	280	0	300
TOTAL Dom. Consumption	740	720	780	740	0	780
Ending Stocks	214	185	234	225	0	265
TOTAL DISTRIBUTION	954	905	1014	965	0	1025

NOTE: This PS&D table **does not** include illegally imported wheat flour. Despite undocumented, trade sources estimate that about 10,000-12,000 tons of wheat flour (approx. 13,700-16,400 tons wheat grain equivalent) may be smuggled into Thailand in MY 2000/01 and MY 2001/02.

WHEAT

Production

Reflecting the unsuccessful production campaign by the Ministry of Agriculture, total wheat production in Thailand is presently less than 1,000 tons. The Government programs to increase wheat production are limited by climate related conditions restricting yields, low quality, and poor relative returns. Wheat is planted only in the High North and is seeded after the harvest of main crop paddy. Farmers are using three varieties of seed, i.e., Samoeng 1, Samoeng 2, and Fang 60. The most popular seed is Fang 60 which accounts for about 60 percent of total area.

Consumption

Total wheat/flour consumption in MY 2001/02 is forecast to increase by 5 percent over the MY 2000/01's level based on the outlook for continued growth in both human and feed consumption. Wheat/flour consumption in MY 2000/01 is estimated to have risen by 3 percent over the 1999/2000 level in line with a slow recovery in Thai economy. Trade sources report that sales of domestic wheat flour may have a lack of growth in MY 2000/01 due to increased competition from imported flour. By contrast, wheat/flour demand for feed production in 2000/01 is estimated to grow moderately (5 percent) following increased shrimp farming and continued substitution of wheat/flour for other feed ingredients in animal feed production.

According to trade sources, there has been no significant change in wheat flour used for human consumption. Bread and cake is currently accounting for 35% of total human consumption, followed by noodles (30%), all purpose (25%), and biscuit (10%), respectively.

Trade sources report that all flour mills needed to reduce prices for biscuit flour and flour used in shrimp feed in 2000 by 45-70 baht/22.5 kgs. bag due to a fierce competition from imported flour in these categories. However, prices for other flour products remain unchanged; i.e., 450-460 baht/bag for bread flour (13.5-14.0%), 470 baht/bag for cake flour, and 350-360 baht/bag for noodle flour.

Trade

In line with increased consumption, total wheat/flour imports are estimated to grow by 3-4 percent in MY 2000/01 and MY 2001/02. The U.S. market share in total wheat/flour imports in MY 2000/01 and MY 2001/02 should be close to that in MY 1999/2000 at 40-41 percent, reflecting its superiority and competitiveness against the competing countries.

It should be noted that imports of wheat flour increased tremendously in recent years from 25,361 tons in MY 1997/98 to 54,796 tons and 79,324 tons in MY 1998/99 and MY 1999/2000, respectively. This development was attributed to the fact that: a) relatively high prices for local flour

induced imports of less expensive flour; and b) some noodle plants replaced local flour with imported flour in their production for export as the high import duties on wheat flour could be refunded. However, the flour imports should decrease to some degree in MY 2000/01 and 2001/02 due to more competitive prices for local flour (especially biscuit flour and flour used in shrimp feed) and an anticipated slowdown in noodle exports. Trade sources also report that although illegal flour imports still exist, they may be reduced to 10,000-12,000 tons in MY 2000/01 and 2001/02, as some Thai importers are now able to enjoy favorable import duties for flour imported from Malaysia under the ASEAN Free Trade Area (AFTA) agreement.

The U.S., Canada, and Australia remain major suppliers of both soft and hard wheat for Thailand's imports. A large feed mill, which has their own flour mill and is the largest player in shrimp feed market, has recently diversified their purchase from Australian wheat only to Canadian wheat. This feed mill has not purchased U.S. wheat due to its disadvantage in terms of price and protein and gluten content. As for wheat imported for human use, HRW from the U.S. competes with Australian Premium White (APW) or Australian Hard (AH) and Canadian Western Red Winter (CWRW); DNS wheat versus Australian Prime Hard and Canadian Western Red Spring (CWRS); and U.S. WW wheat versus Australian Standard White (ASW) and Canadian Plainly Spring Wheat (CPSW).

Total wheat/flour imports in 1999 and 2000 are as follows:

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan-Dec		
Imports for	1999		2000
U.S.	336067	U.S.	297801
Others		Others	
Australia	286931	Australia	255378
Canada	103348	Canada	141101
Japan	51850	Japan	25879
Total for Others	442129		422358
Others not listed	5760		23103
Grand Total	783956		743262

Marketing

A new flour mill is reportedly scheduled to operate in the next few months. This establishment will add 100 tons per day to the current capacity of about 3,900 tons per day for the whole country. Trade sources believe that, considering relatively low investment in milling technology, this new mill should focus their products on low-to-standard quality wheat products. In addition, it should not have a significant impact on total wheat imports in the short run due to relatively slow growth in human consumption.

Policy

There has been no change in import duties for wheat grains (1.00 baht/kg or US\$ 23/ton) since the last Annual Report. As mentioned in the last report, there were attempts by Thai Customs to collect more import taxes on wheat by reclassification of wheat under Harmonized code, which would result in raising import duties for wheat grains to 2.75 baht/kg (US\$ 64/ton). This reclassification, if applicable, might increase Thai flour mills' cost for imported U.S. wheat at least USD 24 million annually. However, FAS/Bangkok successfully intervened to stop this attempt. After the serious discussions with the Thai Customs officials, they agreed to use the old classification.

As a part of FAS/Bangkok's effort to use bilateral negotiations to help in reducing unnecessary import taxes and other duties on agricultural imports, Thailand has been asked to reduce/eliminate wheat import duties. In addition, fear of a competitive threat by a reduction in AFTA tariff rates for wheat products (especially flour and biscuits), a group of local flour mills officially expressed their concern to the Government and requested a reduction in import duties for wheat grains. However, the Government has recently refused to address this request. According to local flour mills, the actual import duties on wheat grains are about 20-22 percent (based on the duty of 1.00 baht/kg and the 25-30% loss in milling process), while the imports of wheat products which are imported from AFTA countries (especially Malaysia) may enjoy the lower duties; i.e., 15 percent for wheat flour and 5 percent for biscuits. The AFTA duties for wheat flour are scheduled to drop to only 5 percent in 2003. In addition, the flour mills are trying to convince the Government that the importation of wheat flour under the AFTA tariff schedule are unjustified because all ASEAN countries should not meet the requirement of at least 30% local content.

The Government currently grants an import tax rebate of 1,271 baht/ton (about US\$ 30/ton) to mills exporting wheat flour, and 268 baht/ton (about US\$ 6/ton) for wheat bran exports.

PSD Table						
Country	Thailand				(1000 HA) (1000 MT)	
Commodity	Beans					
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	270	270	240	250	0	250
Beginning Stocks	13	13	10	10	0	12
Production	200	200	180	210	0	210
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Jul-Jun Imports	0	0	0	0	0	0
Jul-Jun Imports U.S.	0	0	0	0	0	0
TOTAL SUPPLY	213	213	190	220	0	222
TOTAL Mkt. Yr. Exports	33	33	15	33	0	30
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	5	5	5	5	0	5
TOTAL Dom. Consumption	170	170	165	170	0	175
Ending Stocks	10	10	10	12	0	12
TOTAL DISTRIBUTION	213	213	190	220	0	222

BEANS

Production

According to trade sources, Thailand's pulse production (mung bean and black matpe) in 2001 is forecast to remain unchanged from the 2000's level, at around 210,000 tons. Although improved prices in 2000 for both mung bean and black matpe bean may induce farmers to increase their growing area, its impact on total production may be offset by a likelihood of a decline in weather-affected productivity. Production in 2000 has been revised upward from the earlier estimate, reflecting increased yields caused by the nearly perfect weather conditions.

Consumption

Domestic consumption in 2001 is forecast to slightly increase from the 2000's level. Mung beans are utilized mainly for making vermicelli and bean sprouts, with smaller quantities being used for bean flour and cake, candy and sweets, feedstuffs and seed. Meanwhile, black matpes are used mostly for making sprouts.

Reflecting high demand both domestically and internationally, farmgate prices for mung beans rose by 15 percent to 12,640 baht/ton (US\$ 294/ton). Meanwhile, farmgate prices for black matpes also increased by 58 percent to 14,930 baht/ton (US\$ 347/ton).

Trade

Despite higher domestic prices, according to trade sources, Thai bean exports in 2000 was pretty strong due to the disasters in large consuming countries like Pakistan and India and increased demand from Vietnam. Total bean exports in 2000 were 32,515 tons, as opposed to 33,378 tons in 1999. Trade sources report that soaring sales to Cambodia in 2000 reflected the re-exports of Thai beans to Vietnam. Total exports in 2001 should be around 25-30,000 tons in line with stagnated supply availabilities and increased domestic consumption.

Export Trade Matrix			
Country:		Units: Tons	
Commodity:			
Time period:	Jan-Dec		
Exports for	1999		1999
U.S.	1902	U.S.	1879
Others		Others	
United Kingdom	392	Cambodia	6432
Hong Kong	1726	Hong Kong	1625
India	14730	India	3473
Japan	2077	Indonesia	951
Malaysia	667	Japan	1509
Philippines	1995	Malaysia	1420
Singapore	1796	Pakistan	2998
Canada	1290	Philippines	4742
Sri Lanka	2859	Singapore	1636
Pakistan	1163	Sri Lanka	3328
Total for Others	28695		28114
Others not listed	2781		2522
Grand Total	33378		32515